

## Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

L-02 H-02 /084 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0134

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY TOKYO

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DEPARTMENT PASS TREASURY

BONN PASS TREASURY DEPUTY ASSISTANT SECRETARY BUSHNELL

E.O. 11652:N/A

TAGS: EAID, EFIN, UK

SUBJECT: TRUST FUND

REF: STATE 74977

BEGIN SUMMARY: UK SHARES US CONCERN OVER APPARENT SLOWNESS  
AND LACK OF CONCERTED ACTION IN GETTING TRUST FUND INTO  
OPERATION. UK VIEWS THE LACK OF SUPPORT BY TRADI-  
TIONAL DONORS AS THE CENTRAL PROBLEM IN OBTAINING OPEC  
CONTRIBUTION TO A CONCESSIONARY FINANCING FACILITY. WHILE  
UK SUPPORTS THE TRUST FUND CONCEPT "IN PRINCIPLE," THEY  
HAVE SOME RESERVATION ON THE POSSIBILITY OF EARLY AGREE-  
MENT ON THE USE OF IMF GOLD. IN ADDITION, UK FEELS THAT  
THE MSA'S PROBLEMS ARE GREATER THAN SHORT-TERM BALANCE OF  
PAYMENTS NEEDS. THEREFORE, IMF FACILITY MAY NOT BE THE  
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BEST CHANNEL FOR ASSISTANCE. END SUMMARY

1. SUBSTANCE OF REFTEL DISCUSSED WITH TOM BURGNER, ASSISTANT SECRETARY FOR OVERSEAS DEVELOPMENT, H.M. TREASURY AND RONALD DEARE, HEAD, DEVELOPMENT POLICY DEPARTMENT, OVERSEAS DEVELOPMENT MINISTRY (ODM). THE UK ACCORDING TO BURGNER, SHARES THE US'S CONCERN OVER THE EMERGING BALANCE OF PAYMENTS PROBLEMS OF THE MSA COUNTRIES. THEY ALSO FIND THE APPARENT SLOWNESS OF GETTING THE TRUST FUND APPARATUS MOVING DISAPPOINTING AND "DISQUIETING." BURGNER EXPRESSED HIS BELIEF THAT THE BANK/FUND PAPER ON THIS TOPIC COULD HAVE BEEN PRODUCED SEVERAL WEEKS, IF NOT MONTHS, AGO AND HE COULD NOT UNDERSTAND THE BANK/FUND'S SLUGGISHNESS ON THE MATTER.

2. ACCORDING TO DEARE AND BURGNER, HMG POLICY IS THAT IT IS PREPARED TO CONSIDER A CONTRIBUTION TO THE TRUST FUND OR ANY OF THE OTHER FACILITIES PROVIDED THEY HAVE WIDESPREAD DONOR SUPPORT, I.E., TRADITIONAL DONORS PLUS NEW OIL RICH ARAB STATES, AND ARE ADMINISTERED ON AID CRITERIA. THIS MEANS DIRECTED TO THE POOREST COUNTRIES WITH PER CAPITA GNP UNDER \$200. HMG DOES NOT SEE THE VARIOUS PROPOSALS AS MUTUALLY EXCLUSIVE. EACH SEEMS TO BE ATTRACTING A DIFFERENT SPECTRUM OF SUPPORT AND UK IS PREPARED TO ENTER WHICHEVER OFFERS THE QUICKEST RESULTS. USG RELUCTANCE TO SUPPORT FACILITIES OTHER THAN TRUST FUND MAKES IT UNLIKELY HOWEVER THAT THEY WILL GET OFF THE GROUND.

3. THE MAJOR STUMBLING BLOCK AT THIS TIME, ACCORDING TO BURGNER, IS THE NEED TO TAP NEW SOURCES OF CONCESSIONARY FINANCE. ALL OF THE CURRENT PROPOSALS DEPEND NOT ONLY ON NEW SOURCES BUT ALSO ON CONTINUED SUPPORT BY TRADITIONAL DONORS. THIS EXHIBITION OF SOLIDARITY IN SUPPORT OF THE MSA'S WILL HELP TO CONVINCE NEW DONORS OF THE NEED FOR

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THEIR FINANCIAL SUPPORT IN ASSISTING THE MSA'S. THIS IS PARTICULARLY TRUE IF SUPPORT FROM OPEC COUNTRIES IS TO BE REALIZED. THUS, UNIFIED ACTION BY THE TRADITIONAL DONORS IS SEEN BY THE UK AS A MUCH MORE CENTRAL ISSUE IN GETTING THE "OPEC DONORS" TO JOIN IN THAN IS THE PARTICULAR FORA FOR THE ASSISTANCE FACILITY.

4. WHILE SUPPORTING IN PRINCIPLE THE TRUST FUND CONCEPT, THE UK DOES HAVE SOME RESERVATIONS ABOUT THIS APPROACH. BASICALLY, THE UK CONSIDERS THAT THE MSA'S LONG-TERM DEVELOPMENT PROBLEMS ARE MORE IMPORTANT THAN JUST THEIR SHORT-TERM BALANCE OF PAYMENTS NEEDS. MORE ATTENTION SHOULD THUS BE PAID TO LONG-TERM AID. AS TO THE TRUST FUND ITSELF, THE UK FEELS THAT AGREEMENT ON IMF GOLD SALES, A KEY LINK IN THE TRUST FUND PROPOSAL, IS A FORLORN HOPE. BURGNER ASKED IF EARLY AGREEMENT ON THIS ISSUE IS AT HAND AND WHAT CHANNELS ARE THE US CONSIDERING FOR GETTING THE TRUST FUND "OFF THE GROUND?" NOTWITHSTANDING THE TECHNICAL

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CAL ISSUE CONCERNING THE SALE OF FUND GOLD AND THE LACK OF FURTHER KNOWLEDGE OF US THINKING, THE UK CONTINUES TO STATE ITS "WILLINGNESS IN PRINCIPLE TO SUPPORT THE TRUST FUND." HOWEVER, IF THE NEEDS OF THE MSA'S ARE TRULY LONGER-TERM THAN THE IMMEDIATE BALANCE OF PAYMENTS NEEDS, AND THE UK BELIEVES THEY ARE, THE IMF MAY NOT NECESSARILY BE THE PROPER CHANNEL OR INSTITUTION FOR SUCH ASSISTANCE.

5. BURGNER REQUESTED ANY ADDITIONAL INFORMATION ON OR CLARIFICATION OF CURRENT US THINKING WITH REGARD TO THE ASSISTANCE PROPOSALS. HE WILL CONTACT EMBASSY ON ANY CHANGE OR SOLIDIFICATION OF UK POSITION.

RICHARDSON

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